



FINANCE

BULLETIN

November 2009

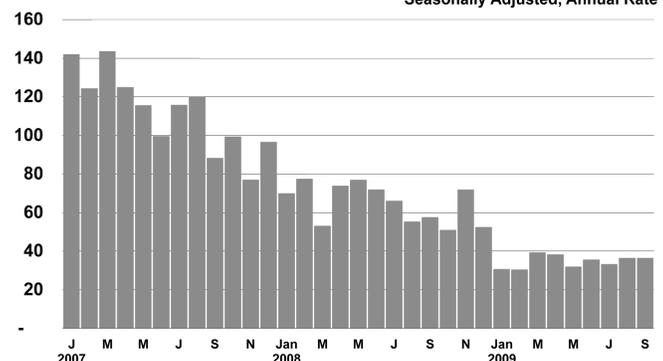
ECONOMIC UPDATE

The state continued to shed jobs in September, even though the pace has moderated substantially from the beginning of the year. The long slide in real estate and home building activity appears to have halted. The level of activity, though, was still disappointing.

- California lost 39,300 nonfarm jobs in September 2009. Only two major industry sectors gained jobs. Trade, transportation, and utilities added 3,900 jobs; and natural resources and mining, 200.
- Construction lost 14,100 jobs; government, 12,700; educational and health services, 3,600; manufacturing, 3,400; information, 2,900; professional and business services, 2,700; financial activities, 2,500; other services, 1,000; and leisure and hospitality, 500.
- Nonfarm payroll employment fell by 732,700 from September 2008 to September 2009. Over the year, employment declined by 61,000 jobs per month, but it fell at a much slower pace over the three months ending with September—only 28,000 per month.
- On a year-over-year basis, employment rose in only one industry sector. Educational and health services added 11,800 jobs.
- Over the year, employment fell by 172,400 in trade, transportation, and utilities; 144,000 in construction; 132,900 in professional and business services; 121,300 in manufacturing; 51,600 in leisure and hospitality; 41,800 in financial activities; 34,400 in information; 26,800 in government; 17,300 in other services; and 2,000 in natural resources and mining. On a nonseasonally-adjusted basis, state government employment fell by 2,400 in September.
- Since the national recession began in December 2007, California has lost 988,900 industry jobs.
- The state's unemployment rate fell 0.1 percentage point to 12.2 percent in September. The number of people unemployed in California was 2,259,604—down 13,000 over the month, but still up 798,200 compared with September of last year.
- The pace of residential construction permitting held steady in September at a seasonally adjusted annual rate of 36,400 units. Both single-family and multi-family construction matched their August paces.
- This rate of home building, though, was still down over 36 percent from a year earlier. Single-family permits were down 12 percent, while multi-family permitting was down 66 percent. New home permitting during the first nine months of 2009 was down 48 percent from the same months of 2008.
- Nonresidential construction permitting, in contrast, slowed over the month (8 percent) and over the year (46 percent). The slowdowns were led by reductions in office and store construction. For the first nine months of 2009, nonresidential permitting was down 47 percent from the same months of 2008.
- Things were looking better in the existing home market. There was improvement in both the pace of sales and the prices paid for existing homes sold in September. Sales of single-family detached homes were up 0.7 percent from August—530,520 units at a seasonally adjusted annualized rate. The median price of homes sold in September—\$296,090—was also up from August, but was down was down 7.3 percent from a year earlier. The median number of days needed to sell a home improved to 33.6 days, a 27-percent drop from 12 months earlier.

Home Building Stabilizes at a Very Low Level

Residential Construction Permits, 1,000s of Units
Seasonally Adjusted, Annual Rate



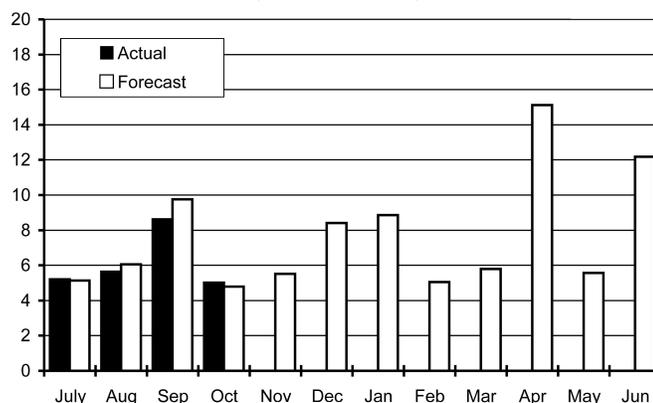
Source: Construction Industry Research Board

MONTHLY CASH REPORT

As part of the Amended 2009 Budget Act, Finance assumed an unallocated \$3 billion revenue reduction to the 2009-10 May Revision forecast. The revenue reduction was assumed to occur throughout the 2009-10 fiscal year in amounts proportional to current tax collections. For October, the unallocated revenue reduction was calculated at -\$138 million, reducing the total General Fund revenue forecast for October from \$4.798 billion to \$4.66 billion. Preliminary General Fund agency cash for October was \$5.023 billion, or \$363 million above the Amended 2009 Budget Act forecast, which includes the unallocated revenue adjustment. On the same adjusted basis, year-to-date revenues are \$596 million below the expected \$25.075 billion.

- Personal income tax revenues to the General Fund were \$39 million below the month's forecast of \$2.580 billion. Withholding was \$129 million below the estimate of \$2.729 billion but other receipts were \$163 million above the forecast of \$580 million. Refunds were \$73 million higher than the month's estimate of \$683 million. Proposition 63 requires that 1.76 percent of total monthly personal income tax collections be transferred to the Mental Health Services Fund (MHSF). The amount transferred to the MHSF in October met the month's estimate of \$46 million. Year-to-date General Fund income tax revenues are \$1.246 billion below estimate.
- Sales and use tax receipts were \$10 million above the month's forecast of \$1.811 billion. Since the last day of October fell on a weekend, the final payment for third-quarter taxable sales was not due until November 2, so a significant portion of cash receipts related to this payment is received in early November. An analysis of early November cash receipts suggests that October cash may have benefited in the range of \$50 to \$100 million at November's expense. Year-to-date, the sales tax cash is \$303 million below forecast.
- Corporation tax revenues were \$249 million above the month's estimate of \$164 million. Prepayments were \$25 million higher than the forecast of \$177 million. Other payments were \$149 million above the estimate of \$148 million. This increase was in part due to an audit payment that exceeded forecast by over \$90 million. Refunds were \$75 million below the projected level of \$161 million, which may be due to cash flow since refunds for the October extension filers will continue to be issued over the next couple of months. Year-to-date revenues are \$193 million above estimate.
- Total Vehicle License Fee General Fund revenues reported in October were \$27 million lower than the estimate of \$137 million. Year-to-date revenues are \$104 million below forecast.
- Revenues from the insurance tax were \$20 million above the month's estimate of -\$6 million because refunds attributable to a Board of Equalization decision are now expected to be delayed due to delayed implementation of the necessary regulations. Revenues from estate, alcoholic beverage, and tobacco taxes were \$3 million below the month's estimate of \$38 million. Pooled money interest income was \$0 compared to the estimated \$6 million for the month because some interest earnings for the General Fund were recorded as other revenues and due to a reallocation of some past months' earnings from the General Fund to other pool participants. "Other" revenues were \$21 million above the month's estimate of \$68 million.

**General Fund Agency Cash
2009-10 Amended Budget Act Forecast**
(Dollars in Billions)



2009-10 Comparison of Actual and Forecast Agency General Fund Revenues

(Dollars in Millions)

Revenue Source	OCTOBER 2009				2009-10 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change	Forecast	Actual	Change	Percent Change
Personal Income	\$2,580	\$2,541	-\$39	-1.5%	\$13,348	\$12,102	-\$1,246	-9.3%
Sales & Use	1,811	1,821	10	0.6%	8,543	8,240	-303	-3.5%
Corporation	164	413	249	151.8%	2,204	2,397	193	8.8%
Insurance	-6	14	20	-333.3%	514	540	26	5.1%
Estate	0	0	0	0.0%	0	2	2	n/a
Pooled Money Interest	6	0	-6	-100.0%	33	0	-33	-100.0%
Alcoholic Beverages	29	27	-2	-6.9%	117	111	-6	-5.1%
Tobacco	9	8	-1	-11.1%	36	35	-1	-2.8%
Vehicle License Fees	137	110	-27	-19.5%	565	461	-104	-18.4%
Other	68	89	21	30.9%	549	591	42	7.7%
Unallocated Revenue Reduction	-138				-834			
Total	\$4,660	\$5,023	\$363	7.8%	\$25,075	\$24,479	-\$596	-2.4%

This is an agency cash report and the data may differ from the Controller's report to the extent that cash received by agencies has not yet been reported to the Controller.

Totals may not add due to rounding. The forecast is from the 2009 May Revision updated for the 2009 Budget Amendments.